

# **EXHIBIT M**

**PLAINTIFF'S  
DEPOSITION  
EXHIBIT # 1**

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*Inner-Office Memorandum*

WMM

Date: February 28, 2001

To: Brian Parke

CC:

From: Mike Mebane

Subject: UTF/Avgol Talks

As we have discussed many times, things have changed for Unifi since we committed to invest in the nonwovens business. A critical component of our strategy in July of 1999, was a commitment to growth in the industry segment. At the time, our cash flow from existing operations and resultant debt capacity indicated that investment in the order of \$200 million was not out of the question. We agreed at the time that either Nonwovens would become a significant portion of our business, or we should not make the investment.

Large multi-national brand companies including Tyco, P&G, KC, Allegiance Health Care, SCA and Leggett & Platt dominate the customer base. Meaningful relationships require continued investment and a worldwide supply presence. We can not be successful long term as a one-line company. Given this, I have kept my eyes open for an opportunity to sell the plant.

The fundamentals of the industry segment are still sound. US Polypropylene melt spun demand grew 11.5% in 2000, indicating strong price elasticity of demand. As prices fell dramatically, year over year to more reasonable levels, demand increased. Existing producers are complaining about margins, not volumes. Current market prices for hygiene range between \$0.92 and \$1.10, down from \$1.20 – \$1.40 two years ago. Our plant's cost should be around \$0.70 - \$0.75.

Third quarter 2000 import volumes from Europe and Israel were up 105% over 1999 on lightweight spunbond. Imports of middleweights increased 66%. These combined to over 14,000 tonnes for the quarter. Prices on imports are actually higher than the average domestic price on hygiene and lower on industrial material. In the 3<sup>rd</sup> quarter, Avgol imported almost 5,000 tonnes to the US from Israel and indicate that the 4<sup>th</sup> quarter was better.

In late 1999, we entered negotiations to purchase Avgol and backed away due to price and uncertainty in the segment. I continued talking with the principals about a possible JV

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or cooperation of some sort. You and I together decided that a JV without willingness to invest on our part was pointless. Again, we broke off talks.

In November of 2000, Avgol announced the intention to build a plant in the US to support its US base of business. I spoke to the principal, Moshe Goldwasser, again, suggesting we be more creative in our discussions. After long discussions, he asked if we would consider selling Avgol the entire plant. I told him we would entertain an offer if it covered all cost and working capital. Moshe is concluding a management by-out of the company and by March 7, I am to have a Letter of Intent to purchase our plant. I am not sure of his ability to raise the money. He assures me he has, and customers have confirmed seeing a bank commitment to support a plant in the US. One of his customers has confirmed seeing a letter from the bank. I just don't know if he can raise enough money to buy out 50% of his stock (I estimate cost at least \$50 million) and get another \$45 or so for this plant. I have given him a deadline of March 8.

If so instructed, I could get aggressive to find a buyer. There are several other candidates I could approach. Confidentiality would be the issue. Currently, none of our people know I'm still talking to Avgol, even though rumors are all over the industry a deal is cooking. I would find a way to handle that.

T'll been won posted